

Budget Debate on Vote 34: Mineral Resources and Energy

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South Africa's mining needs a new deal

South Africa's mining industry built our country into one of the foremost economies of the world. We are a member of the G20. For a long time, we were the biggest economy in Africa.

But mining has fallen on hard times. Yes, people can still make money running mines and yes hundreds of thousands of South Africans earn a living, and a higher-than-average wage from mining, but given the promise of our mineral endowment, we should have done better. We missed the resources boom of 2007, and the boom just past did not rescue our industry although it rescued government finances.

The promise of explosive growth that should follow from our fabulous mineral endowment has never been realised. The Government's laudable attempt to spread the wealth was done by trying to micromanage the industry rather than letting it fly.

South Africa slipped further and further down in the perceptions of potential investors who could see the government crippled by its own socialist ideology and which saw them only as an enemy or a cash cow, rather than a partner in growth.

Now too many in the industry are battered and disheartened, unwilling to take risk and focussed on harvesting rather than building. There are fewer and fewer big capital investment mines, and more short term, get rich quick schemes. Mines that should be built to last 20 years are being raided and finished in five.

But our mining industry is not over.

It just needs a new vision. South Africa's mining industry needs a new deal.

That deal should be motivated by the goal of using our mineral endowment to grow the economy, power inter-generational wealth creation among as many of our people as possible and pulling our people out of poverty.

We need to empower entrepreneurs and investors rather than insiders and cronies. We need to get government out of the way. Micro-management has not worked. We need to say to investors that they can make money if they put their money here. At the same time as they make money, they will create poverty-busting jobs and ensure a flow of tax revenues so we can afford the social goods and services that we need.

If we resent investors, we will chase them away. If we curb them, they will go where they are not curbed, and we will continue in poverty. We may live on top of diamonds but when we can't dig them out, we will live in shacks.

The industry needs to be allowed to fly. We need more mining, not less. We need mining that focusses on the long life of mines rather than cherry picking and sterilising because mines expect their investments will be snatched from them by a rapacious state. We need mining that leaves as light and temporary footprint as possible so that when it is gone and the wealth taken out, it does not leave decay, spoiled soil, and poisoned water.

We need to understand that mining can rescue our economy if we only let it.

A new deal needs:

A transparent cadastral, rights and licensing systems.

No racial set asides in licensing, ownership or employment.

Recognition of the rights of and proper compensation for landowners and occupiers

Rapid, efficient and honest licensing and permitting.

No localisation requirements.

Proper policing to ensure the free exercise of mineral rights and the protection of national mineral assets.

Government needs to get out of the way.

Five years ago the Minerals Council estimated that by ensuring best practice in legislation and regulation South Africa could create an additional 50 thousand direct mining jobs and 200 thousand indirect jobs.

It's been calculated that each direct mining job supports ten people. That means a million South Africans out of poverty by getting it right.

And I believe that's an under-estimate. In the alluvial diamond sector alone, we could easily claw back the 20 thousand jobs that were lost because of the MPRDA's regulatory and transformation requirements.

If we think the mining industry is a tool to right the wrongs of the past or we think by a thicket of law and regulation we can create a huge class of super-wealthy people by socially engineering society, then we will betray the promise of our mineral endowment.

Twenty years ago, it may have been possible to argue that racial set asides in licensing, ownership and employment were justified, by the racial set asides of apartheid. Anybody making that argument today would have to believe investment disincentives, the friction of a

business-crushing state bureaucracy, and the door to corruption that is opened by social engineering are worth it - because black enterprise and expertise simply cannot compete on a level playing field.

That's nonsense. That belief disregards and disrespects the proven expertise and efficiency of black people in mining. Instead, it accepts the perpetuation of a system of cronyism that ensures who you know and who your connections are is allowed to trump the need to extract value for entrepreneurs, employees and state revenues.

So

- Tell departmental staff that they're expected to be honest and do their jobs. Everybody will be expected to prove they were employed because of their knowledge and diligence, and not because of who they are, who they know, or what they know about the misdeeds of their superiors.
- Ensure that the results of disciplinaries and investigations will be swift and be made known.
- End the messing around with a new cadastral system. For years officials and politicians have been wriggling and twisting to avoid revealing exactly what rights have been granted to whom. Set a deadline. A new, transparent cadastral system in place within 6 months.
- Cancel the mining charter. You could draw a line through it in an afternoon.
- Better protect landowners and residents and keep a careful eye on who may be losers from mining activity. Separate those who are angry at being hurt by a mine from those who are angry at not being made rich by it.

I make these suggestions knowing that the ANC won't accept them. It has proven itself a slave to its own ideology, impervious to evidence, experience and good sense. But everybody else knows, give mining a new deal and it could strike a mighty blow against poverty.